

DAWSON COMMUNITY COLLEGE

DAWSON COUNTY, MONTANA

Fiscal Year Ended June 30, 2008

**AUDIT REPORT**

# LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor  
Monica Huyg, Legal Counsel



Deputy Legislative Auditors:  
James Gillett  
Angie Grove

November 2008

The Legislative Audit Committee  
of the Montana State Legislature:

Enclosed is the report on the audit of Dawson Community College for the fiscal year ended June 30, 2008.

The audit was conducted by Denning, Downey & Associates, P.C. under a contract between the firm and our office. The comments and recommendations contained in this report represent the views of the firm and not necessarily the Legislative Auditor.

The agency's written response to the report recommendations is included in the back of the audit report.

Respectfully submitted,

*/s/ Tori Hunthausen*

Tori Hunthausen, CPA  
Legislative Auditor

08C-07

DAWSON COMMUNITY COLLEGE

DAWSON COUNTY, MONTANA

Fiscal Year Ended June 30, 2008

**TABLE OF CONTENTS**

Organization	1
Management Discussion and Analysis	2-11
Independent Auditor's Report	12-13
<b>Financial Statements</b>	
Statement of Net Assets	14
Statement of Revenues, Expenses and Changes in Net Assets	15
Statement of Cash Flows	16
Foundation Statement of Financial Position	17
Foundation Statement of Activities	18
Foundation Statement of Cash Flows	19
Notes to Financial Statements	20-33
<b>Supplemental Information</b>	
Student Financial Aid Modified Statement of Cash Receipts and Disbursements	34
Schedule of Expenditures - Student Financial Assistance Programs	35
Schedule of Full Time Equivalent	36
Functional Classification of Operating Expense	37
<b>Single Audit Section</b>	
Schedule of Expenditures of Federal Awards	38-39
Notes to the Schedule of Expenditures of Federal Awards	40
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	41-42

DAWSON COMMUNITY COLLEGE  
DAWSON COUNTY, MONTANA

**TABLE OF CONTENTS - Continued**

Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	43-44
Schedule of Findings and Questioned Costs	45-48
Report on Other Compliance, Financial, and Internal Accounting Control Matters	49
Report on Prior Audit Recommendations	50

DAWSON COMMUNITY COLLEGE

DAWSON COUNTY, MONTANA

**ORGANIZATION**

Fiscal Year Ended June 30, 2008

**BOARD OF TRUSTEES**

Alan Sevier  
Katherine Lee  
Kay McDonough Jensen  
Ryan Sokoloski  
Mike Ruddy  
Jim Squires  
Bill LaBree

Chairperson  
Vice Chairperson  
Trustee  
Trustee  
Trustee  
Trustee  
Trustee

**COLLEGE OFFICIALS**

Dr. James Cargill  
Justin Cross  
Bonnie Rieger

President  
Dean of Administrative Services  
Assistant Business Manager

**DAWSON COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE YEAR ENDING JUNE 30, 2008**

Dawson Community College (College) is a comprehensive, open access, publicly supported institution of higher education dedicated to serving the needs of those who seek enrichment through educational opportunities. The College exists to address individual needs, interests, and abilities while enhancing the economic, social and cultural attributes of the diverse communities it serves. The College accomplishes this purpose by providing high quality, affordable, flexible programs and services which are academically and geographically accessible. This purpose requires a strong commitment to the teaching and learning process by a service driven philosophy in a supportive environment.

**Financial and Other College Highlight**

**Major Building Expansion:**

The largest building expansion in the history of the College was substantially completed during the spring of 2007. The expansion project included a new gymnasium, performing arts center and an addition to the library/learning center. The initial planning stages of the project began in the fall of 1999. The final phases of construction were finished in the spring of 2007. This project was paid for by the taxpayers of the community college district, students, alumni and donors.

**History:**

In the spring of 2002, the Board of Trustees appointed a fourteen-member ad hoc committee, the Facilities Expansion Committee, to help identify facility needs at the College. After approximately six months of study and analysis, the committee submitted its recommendations to the Board of Trustees. The recommendations cited the need for a new physical education center, a new performing arts center, and the construction of a joint library/learning center complex. The Board adopted the committee's recommendations at its meeting in August, 2002.

The original estimated cost to construct these three facilities was \$6.3 million. As a major means to acquire the funds needed for this project (the largest ever undertaken by College), the Board authorized the pursuit of a four million dollar general obligation bond campaign. The committee believed that \$4 million was the maximum amount that the taxpayers would approve. From the end of August through October of 2002, the College engaged in a major marketing and publicity campaign to get the voters of the community college district to pass a four million dollar bond issue. On November 2, 2002, the voters approved the \$4,000,000 bond issue.

November 13, 2003, was the initial bid opening date for the new gymnasium and performing arts centers. The lowest base bid was \$5,436,000 on the initial estimate of \$4,600,000. The Board of Trustees rejected the bids based on the large disparity between estimates and the lowest actual bid.

The second round of bids was opened for consideration on June 15, 2004. The low bid of \$5,092,000 was submitted by Fisher Construction. This bid was approximately \$460,000 over the revised estimate. The bids were taken under advisement.

The review committee was directed to reevaluate the project and submit recommendations that would bring the cost of the project in line with the revised budget. On June 28, 2004, the Board reviewed and approved some of the items that were value engineered out of the initial bid process. The revised amount of the bid for the gym/performing arts center was \$4,855,102. The Board also accepted the recommendations for deferring equipment and landscaping. It was noted that the current budget for the library/learning center was based on a smaller sized project than was being considered by the Board. The larger sized project would increase the overall budget by approximately \$300,000. With the final revisions the project budget of \$6,303,000 was deemed to be in balance. The Board then approved the revised bid and let the contract for the gym/performing arts center.

Bids for the library/learning center portion of the expansion project were received on February 28, 2006. The low bid exceeded the budget by approximately \$75,000. The bids were taken under advisement.

The contracts for the library/learning center were signed on March 20, 2006. The budget for this portion of the expansion project was set at \$900,323. Additionally, the Board approved restoring approximately \$227,000 to the total budget for upper bleachers in the gymnasium and stage lighting and curtains in the performing arts center. As of June 30, 2007, the total budget for the expansion project was \$6,980,891.

On July 26, 2004, with the cost of the major portion of the project set by bid, the Board authorized the sale of the \$4,000,000 general obligation school building bonds. The sale of the bonds occurred on August 18, 2004. The interest rate on the bonds was projected to be 5%. At the date of sale the true interest cost on the bonds was bid at 3.99969%.

In March of 2004, the application for a \$500,000 INTERCAP loan was submitted for consideration. On June 15, 2004, the Montana Board of Investments approved the College's request for a \$500,000 INTERCAP loan. As of June 30, 2006, Dawson Community College had requested and received INTERCAP loan proceeds of \$500,000. This is a ten year loan with an adjustable interest rate. The average loan rate for the past ten years has been 4.160%. The interest rate as of June 30, 2006 was 4.75%. The loan will be paid from the \$7.00 per credit Student Building Fees.

In the winter of 2003, the College began the process of preparing a loan application for a \$400,000 Rural Economic Development Loan and Grant. This is a 20 year, zero interest loan. It will be serviced from the additional \$7.00 per credit increase in Student Building Fees. On September 10, 2004, the loan agreement and note was signed by the College and Mid-Rivers Cooperative.

Part of the financial package includes \$192,000 (60% of \$320,000) from the proceeds from the Harold Ullman Revocable Trust. The terms and conditions of the trust set aside 60% of the proceeds for building expansion projects. The Board earmarked the full 60% for this project.

In addition to the aforementioned funds, the Associated Student Body approved the use of \$758,791 in accumulated Student Building Fees. The Board also authorized the use of \$150,000 from the Incidental Fees Fund, \$100,000 from the Library Fee Fund, \$300,000 from one-time funding from the State Legislature, and \$85,000 from General Fund Budget savings. Donations, pledges and interest earnings are the final component of the \$6,980,891 funding package.

During the first bidding process the College became aware of the requirement that domestic water pressure would have to meet State regulations and that the existing water pressure was inadequate to service the planned expansion. The College approved construction of a water pressure booster station. The booster station was completed in April of 2006. The final cost of this project was \$392,141. The College submitted and was granted an \$180,000 INTERCAP loan for a portion of the construction cost. This loan will be serviced from student fees.

### **Outreach and Distance Education:**

The College implemented an Outreach program at the Watch East, a six month alcohol treatment center. The Outreach and Distance Education Director has created a program that is being offered on site to all 42 residents. The first graduation occurred in early 2008. During the year enrollment in outreach and distance education continued to expand. The CCC-Online network and the Adobe Connect platform are two examples of successful distance delivery systems. It is the College's belief that student demand for outreach and distance education will continue to grow.

### **Program Development:**

In the winter of 2006, the Board of Trustees approved the Engineering Technology program and the Music Technology program. The programs were introduced during the 2007 fiscal year. These programs have met enrollment projections and have potential for strong enrollment growth. The College has worked with area energy production companies, MSU-Billings, UM-Missoula and area vocational and community colleges to redesign several existing programs to better meet the needs of the energy driven economy.

### **Grants:**

The College working in partnership with Billings College of Technology has been awarded a three year Workforce Innovation in Regional Economic Development (WIRED) grant to spur the evolution of Montana's workforce through the creation of innovation in bio-product technology. 2008 marks the second year of the Clean Energy for Tomorrow grant. The College continues to develop training and education opportunities that will provide workers with the skills and abilities needed in the bio-product and biofuels energy industry.

The College working in partnership with Billings College of Technology has been awarded a three year Community-Based Job Training Grant to build Montana's energy workforce. 2008 marks the second year of the Energy for Tomorrow grant. The College is creating educational opportunities that will focus on the training and development of workers in the energy industry.

The College has partnered with the University of Montana, College of Technology to develop and offer programs in energy technology. In 2007 the College developed and implemented a two year degree in Energy Technology. Projected enrollment in the Energy Technology program was achieved in 2008.



**Enrollment (FTE):**

During the 2008 fiscal year, total enrollment at the College was 400.7 FTE compared to total enrollment for the 2007 fiscal year of 401 FTE. Enrollment for the 2008 fiscal year was level when compared to the 20.3 percent decline that occurred in the 2007 fiscal year. Enrollment projections for the 2009 fiscal year are up by approximately 13 percent. The projected upward trend is an indication that the additional resources allocated to new programs, recruitment, marketing and advertising are positively impacting enrollment numbers.

**Reading the Annual Financial Report****Accounting Standards**

The following Management's Discussion and Analysis is required supplemental information under the Governmental Accounting Standards Board (GASB) reporting model. It is designed to assist readers in understanding the accompanying financial statements and provides an objective, easily read analysis of the College's financial activities based on currently known facts, decisions, and conditions. This discussion includes an analysis of the College's financial condition and result of operations for the fiscal year ending June 30, 2008. Comparative numbers, where presented, are for the fiscal years ending June 30, 2007 and 2008. Since this presentation includes highly summarized data, it should be read in conjunction with the accompanying financial statements, notes to financial statements, and other supplementary information. College management is responsible for all of the financial information presented, including this discussion and analysis.

In June 1999, GASB issued Statement 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, which established new financial reporting requirements. In November 1999, GASB issued Statement 35, Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities—an Amendment of GASB Statement 34, which applied the new reporting standards to public institutions. These new reporting standards are effective for fiscal year 2003 and as such comparative data will include fiscal years 2007 and 2008.

These financial reporting standards significantly changed the appearance and nature of the required financial information compared to prior standards. The major changes were: (1) financial statement are presented on an entity-wide basis and not by major fund groups; (2) depreciation expense is recognized, whereas previously it was not; (3) expenses rather than expenditures are reported; and (4) the basic financial statements are preceded by this Management's Discussion and Analysis.

As required by these accounting pronouncements, the basic financial statements are the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. The following analysis discusses elements from each of these statements, as well as an overview of the College's activities.

## **How the Financial Statements Relate to Each Other**

The basic financial statements referred to above are presented using the accrual basis of accounting. The accrual basis of accounting is a method of accounting which attempts to match revenues with expenses by recognizing revenue when a service is rendered and expense when the liability is incurred irrespective of the receipt or disbursement of cash. For example, revenue would be recognized when a student registers for a class not when the student ultimately pays for that class. Amounts that remain unpaid are recorded in accounts receivable. When final payment is received the balance in accounts receivable associated with the individual student will be zero.

The basic financial statements referred to above are interrelated and should be viewed in their entirety. However, each of the financial statements is unique and presents the financial information according to the purpose of the individual statement. The fundamental relationships between the statements are described below. The Statement of Net Assets presents a snap shot of the financial condition of the College on June 30. The Statement of Revenues, Expenses, and Changes in Net Assets present the results of activities for the College throughout the fiscal year. The Statement of Cash Flows summarizes activities that generate and consume cash (illustrating net cash inflow and outflow activities) during the fiscal year.

### **Statement of Net Assets**

The Statement of Net Assets presents the College's assets, liabilities, and net assets as of the fiscal year end. The purpose of this statement is to present to the financial statement readers a snapshot of the College's financial position at June 30, 2008. The data presented in the Statement of Net Assets aids in determining the assets available to continue the College's operations. It also allows readers to determine how much the College owes to vendors and creditors. Finally, the Statement on Net Assets provides a picture of net assets and their availability for expenditure by the College. Sustained increases in net assets are one indicator of an organization's financial health.

Net assets are divided into three major categories. The first "Invested Capital Assets, Net of Related Debt," represents the College's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets. Debt incurred, but not yet expended for capital assets, is not included as a component of Invested Capital Assets, Net of Related Debt. The second category is "Restricted Net Assets," which is divided into two categories, Expendable and Nonexpendable. Expendable restricted assets include resources the College is legally or contractually obligated to expend in accordance with restrictions imposed by external third parties. Nonexpendable Restricted Nets Assets consist of endowments and similar type funds where donors or other outside sources have stipulated that, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income to be expended or added to the principal. Unrestricted Net Assets represent resources used for the College's general operations. They may be used at the discretion of the College's Board of Trustees to meet current expenses for any lawful purpose in support of educational and general and auxiliary activities.

The following is a summary of the Statement of Net Assets for each fiscal year:

### Condensed Statement of Net Assets

	At 6/30/08	At 6/30/07
Total Current Assets	\$ 2,247,515	\$ 2,085,841
Total Non-Current Assets	\$ 12,830,427	\$ 13,384,140
<b>TOTAL ASSETS</b>	<b>\$ 15,077,942</b>	<b>\$ 15,469,981</b>
Total Current Liabilities	\$ 653,627	\$ 456,250
Total Non-Current Liabilities	\$ 5,655,984	\$ 5,906,592
<b>TOTAL LIABILITIES</b>	<b>\$ 6,309,611</b>	<b>\$ 6,362,842</b>
Invested in capital, net of related debt	\$ 5,273,994	\$ 4,995,368
Restricted-expendable	\$ 79,901	\$ 2,552,877
Unrestricted	\$ 3,574,238	\$ 1,558,894
<b>TOTAL NET ASSETS</b>	<b>\$ 8,768,331</b>	<b>\$ 9,107,139</b>

Information significant to reading the Statement of Net Assets:

- The \$316,803 increase in Current Assets is primarily the result of paying for new program payables from the Program Development fund in the Restricted Cash category.
- The \$708,842 decrease in Total Non-Current Assets is primarily due to the paying for new programs, the decline in value of investments in the Program Develop Fund and annual accumulated depreciation.
- The increase in Total Current Liabilities is primarily the result of recognizing the state reversion liability, the reporting of current portion of long-term capital liabilities and deferred revenue relating to grants.
- The reduction in Total Non-Current Liabilities is primarily the results of payments made to service debt and the reporting of non-current portion of long-term capital liabilities.
- The Net Assets Invested in Capital, Net of Related Debt is primarily made up of the value of buildings and land held by the College less accumulated depreciation and net of debt balances related to the capital assets. The increase is mainly from the reduction in long term debt.
- Restricted-expendable Net Assets are held primarily in the grant and debt service activities of the College.

- Unrestricted Net Assets is made up of operating activities, auxiliary activities, and also numerous designated activities which include funds designated as follows:
  1. **Student Activity Fee** – Any change in the Student Activity Fee must be approved by a majority of the voting students, approved by the Board of Trustees, and the Board of Regents. The Student Activity Fee is allocated and deposited into five separate agency accounts; 46% to Associated Student Body, 25.75% to Athletics, 12.75% to Publications, 12.75% to Institutional, and 2.75% to Theatre. The Student Government administers the Associated Student Body account, and the Board of Trustees or their designee administers the remaining accounts.
  2. **Library Fees** – Any change in the Library Fee must be approved by the Board of Trustees, and the Board of Regents. Library Fees are intended to augment, not replace, basic operating expenses of the library and may be used for:
    - a. Consumable supplies
    - b. Periodicals and holdings
    - c. Equipment and improvements

The annual amount budgeted from Library Fees is based on anticipated revenues generated from projected annual enrollment.

Library Fees are not intended for continuing personnel costs.

3. **Student Building Fees** – Any change in the Student Building Fee must be approved by a majority of the voting students, approved by the Board of Trustees, and the Board of Regents. Student Building Fees are collected specifically for the purpose of purchasing land, new construction, and making improvements to existing facilities. Use of Student Building Fees requires the approval of the Associated Student Body, the Board of Trustees, and the Board of Regents.
4. **Computer Fees** – Any change in the Computer Fee must be approved by the Board of Trustees, and the Board of Regents. Computer Fees are collected for the purchase or lease of computer equipment, software, maintenance or related items which will benefit the College's IT/AS400 system. This system is primarily used for student records and the payroll and general accounting record keeping.
5. **Building Repairs and Maintenance Fees** – Any change in the Building Repairs and Maintenance Fee must be approved by the Board of Trustees, and the Board of Regents. Building Repairs and Maintenance Fees are for major repairs or maintenance of College owned building and grounds. This fee would typically be used for major renovations and repairs.
6. **Technology Fees** – Any change in the Technology Fee must be approved by the Board of Trustees, and the Board of Regents. Technology Fees are collected for the purchase or lease of computer equipment, software, maintenance or related items which will benefit the educational process.

## **Statement of Revenues, Expenses, and Changes in Net Assets**

The operating and nonoperating activities creating the changes in the College's total net assets are presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of the statement is to present all revenues received and accrued, all expenses paid and accrued, and gains and losses from investment and capital assets activities.

Generally, operating revenues are received for providing goods and services to students and other constituencies of the College. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to carry out the College's mission.

Nonoperating revenues are revenues received for which goods and services are not directly provided. State appropriations and gifts are included in this category, but provide substantial support for paying the College's operating expenses. Therefore, the College, like most public institutions, will expect to show an operating loss.

### **Condensed Statement of Revenues, Expenses, and Changes in Net Assets**

	<b>For Fiscal Year Ending 6/30/08</b>	<b>For Fiscal Year Ending 6/30/07</b>
Operating Revenues	\$ 2,914,522	\$ 3,177,163
Operating Expenses	\$ (5,980,803)	\$ (6,455,479)
Operating Loss	\$ (3,066,281)	\$ (3,278,316)
Net Nonoperating Revenues/(Expenses)	\$ 2,915,047	\$ 3,588,309
<b>Income before other revenues, expenses, gains or losses</b>	<b>\$ (151,234)</b>	<b>\$ 309,993</b>
Other Expenses	-	223,106
<b>Change in Net Assets</b>	<b>\$ (151,234)</b>	<b>\$ 533,099</b>
Net Assets - Beginning of Year	\$ 9,107,139	\$ 8,367,598
Restatements	\$ (187,574)	\$ 206,442
Net Assets - End of Year	\$ 8,768,331	\$ 9,107,139

Information regarding specific revenue and expense items:

- Tuition and fees: In keeping with the Governor's CAP initiative tuition and fees for all students were frozen for fiscal year 2008. The College increased the amount and number of tuition waivers to remain competitive with offerings by educational institutions in bordering states. The increase in tuition waivers reduced tuition revenues. Revenues from workshops and distance education offerings increased.
- Salaries and Benefits: The College granted employees a three percent salary increase. In an effort to create savings two positions remained vacant for the entire fiscal year and a third position was vacant for the last half of the fiscal year.

## **Statement of Cash Flows**

The Statement of Cash Flows presents detailed information about the College's cash activity during the year. Operating cash flows will always be different from the operation loss on the Statement of Revenues, Expenses, and Changes in Net Assets. This difference occurs because the Statement of Revenues, Expenses, and Changes in Net Assets is prepared on the accrual basis of accounting and includes non-cash items such as depreciation expense, and the Statement of Cash Flows presents cash inflows and outflows without regard to accrual items. The Statement of Cash Flows assists readers in assessing the ability of an institution to generate future cash flows necessary to meet obligations and evaluate its potential for additional financing.

The statement is divided into five sections. The first section shows the net cash provided (used) by the College's operating activities. The next section reflects the cash flows from noncapital financing activities and includes State appropriations for the College's educational and general programs and financial aid. This section reflects the cash received and spent for items other than operating, investing, and capital financing purposes. Cash flows from capital financing activities present cash used for the acquisition and construction of capital and related items. The next sections shows cash flows related to purchases, proceeds, and interest received from investing activities. The final section reconciles the net cash used by operating activities to the operating loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets.

### **Condensed Statement of Cash Flows**

	<b>For Fiscal Year Ended 6/30/2008</b>	<b>For Fiscal Year Ended 6/30/2007</b>
Cash Provided (Used) by:		
Operating Activities	\$ (2,693,560)	\$ (3,324,832)
Noncapital Financing Activities	\$ 3,073,197	\$ 3,681,625
Capital and Related Financing Activities	\$ (634,097)	\$ (1,613,805)
Investing Activities	<u>\$ (106,178)</u>	<u>\$ 449,919</u>
Net Increase (Decrease) in Cash	\$ (360,638)	\$ (807,093)
Cash and Cash Equivalents, Beginning of Year	\$ 3,885,457	\$ 4,692,550
Cash and Cash Equivalents, End of Year	\$ 3,524,819	\$ 3,885,457

### **Pending Economic and Financial Issues**

#### **Population:**

The College will continue to face challenges due to the declining population in Eastern Montana. Additionally, the average age of the remaining population is projected to increase. The College will continue to explore avenues to attract students to the campus and to offer a greater variety of adult life-stage appropriate educational programming.

**Regional Economy:**

For the past three years Eastern Montana and Western North Dakota has been the hub for energy development in the region. Starting pay for entry level jobs exceeds \$50,000 per year and demand for workers is high. Recruiting students in the present economic environment is difficult. The College will experience a greater degree of success in recruiting students if an economic down turn occurs.

**State Funding:**

The three community colleges were successful in making positive changes to the community college funding mechanism. However, the level of State funding still creates challenges for community colleges. This environment requires the College to continually pursue alternative funding sources and to seek opportunities for growth.

**Student Records and Management System:**

The College is in need of a student records and management system that meets current standards and has potential for future growth. The current system was acquired in the 1980s and has limited capacity. The College is researching alternative systems and has requested funding from the State. Implementation of a new student records and management system is contingent on State funding.

**Faculty and Staff:**

The College's compensation and benefits package are more competitive with other institution in the region. This situation has improved the College's ability to attract preferred candidates for vacant positions.

**Denning, Downey & Associates, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

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**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Dawson Community College  
Dawson County  
Glendive, Montana

We have audited the accompanying financial statements of the business-type activities, of Dawson Community College, Dawson County, Montana, as of and for the year ended June 30, 2008, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Dawson Community College management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Dawson College Foundation Inc., which is a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Dawson Community College Foundation Inc., is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our report and the report of other auditors the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and discretely presented component units of Dawson Community College, Dawson County, Montana, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2008, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



The management's discussion and analysis on pages 2 through 11, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The Student Financial Aid Modified Statement of Cash Receipts and Disbursements and Schedule of Expenditures of Student Financial Assistance Programs are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and we express no opinion on them. The accompanying Schedule of Enrollment Statistics is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The Student Financial Aid Modified Statement of Cash Receipts and Disbursements, Schedule for Full Time Equivalent and Schedule of Expenditures of Student Financial Assistance Programs are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Dawson Community College. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Denning, Downey and Associates, CPA's, P.C.*

October 30, 2008

**Dawson Community College, Dawson County, Montana**  
**Statement of Net Assets**  
**June 30, 2008**

<b>ASSETS</b>	<b>Business-Type Activities</b>
Current Assets:	
Cash and cash equivalents	\$ 1,677,439
Taxes receivable	88,897
Tuition receivable	141,556
Grants receivable	284,130
Student loan receivable	77,782
Accounts receivable	32,395
Prepaid expense	3,677
Inventories	96,768
Total current assets	\$ <u>2,402,644</u>
Noncurrent assets:	
Restricted cash and cash equivalents	\$ 1,847,383
Capital assets	14,553,799
Less: accumulated depreciation	(3,725,884)
Total noncurrent assets	\$ <u>12,675,298</u>
Total assets	\$ <u><u>15,077,942</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 222,698
Accrued payroll	6,236
Deferred revenue - grants	50,642
Room deposits	8,793
Due to student organizations	31,381
Interest payable	38,248
Current portion of compensated absences	157,174
Current portion of long-term capital liabilities	138,455
Total current liabilities	\$ <u>653,627</u>
Noncurrent liabilities:	
Noncurrent portions of compensated absences	\$ 240,518
Noncurrent portion of long-term capital liabilities	5,415,466
Total noncurrent liabilities	\$ <u>5,655,984</u>
Total liabilities	\$ <u><u>6,309,611</u></u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	\$ 5,273,994
Restricted for student loans	99,727
Restricted for scholarships, research, instruction and other	1,874,206
Unrestricted	1,520,404
Total net assets	\$ <u>8,768,331</u>
Total liabilities and net assets	\$ <u><u>15,077,942</u></u>

See accompanying Notes to the Financial Statements

**Dawson Community College, Dawson County, Montana**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**June 30, 2008**

	<b>Business-Type Activities</b>
<b>OPERATING REVENUES</b>	
Tuition and fees (net of scholarship allowance of \$357,279)	\$ 641,873
Federal grants and contracts	1,086,996
State grants and contracts	148,976
Private and local grants and contracts	196,460
Workshops	203,714
Auxiliary activities:	
Bookstore	124,880
Dormitory	271,850
Other operating revenues	239,773
Total operating revenues	<u>\$ 2,914,522</u>
<b>OPERATING EXPENSES</b>	
Salaries	\$ 2,530,719
Benefits	872,459
Travel	123,504
Supplies	276,618
Contracted services	111,038
Postage	15,145
Rent and lease	20,760
Repairs and maintenance	93,934
Advertising	4,676
Telephone and utilities	180,535
Student support	4,734
Communications	18,663
Computer and tech fees	86,655
Scholarships and grants	677,595
Equipment	17,787
Insurance	100,756
Indirect costs	8,104
REC complex	657
Items for resale	88,101
Workshops	200,601
Other operating expenses	362,498
Depreciation expense	185,264
Total operating expenses	<u>\$ 5,980,803</u>
Operating income (loss)	<u>\$ (3,066,281)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income (Loss)	\$ (106,178)
State appropriation	1,711,351
Local appropriation	1,490,520
Loss on disposal	(7,980)
Interest payments	(172,666)
Total non-operating revenues (expenses)	<u>\$ 2,915,047</u>
Net loss	<u>\$ (151,234)</u>
Net assets - beginning	\$ 9,107,139
Restatements	(187,574)
Net assets - beginning restated	<u>\$ 8,919,565</u>
Net assets - ending	<u><u>\$ 8,768,331</u></u>

See accompanying Notes to the Financial Statements

**Dawson Community College, Dawson County, Montana**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2008**

	<b>Business-Type Activities</b>
<b>Cash flows from operating activities:</b>	
Tuition and fees	\$ 806,568
Grants and contracts	1,384,611
Payments to employees	(2,576,861)
Payments for benefits	(872,459)
Payments to suppliers	(861,484)
Payments for utilities	(180,535)
Payments for scholarships and fellowships	(677,595)
Collection of loans to students	11,346
Auxiliary enterprise charges	
Bookstore	124,880
Dormitory	263,577
Other receipts (payments)	(115,608)
Net cash provided (used) by operating activities	<u>\$ (2,693,560)</u>
<b>Cash flows from capital financing activities:</b>	
Purchases of capital assets	\$ (189,895)
Principal paid on capital debt	(281,974)
Interest paid on capital debt	(162,228)
Net cash provided (used) from non-capital financing activities	<u>\$ (634,097)</u>
<b>Cash flows from noncapital financing activities:</b>	
State appropriations	\$ 1,711,351
Local appropriations	1,434,696
Other nonoperating expenses	(74,937)
Student organization agency transactions	2,087
Net cash provided (used) by capital and related financing activities	<u>\$ 3,073,197</u>
<b>Cash flows from investing activities:</b>	
Interest income	\$ 123,477
Realized and unrealized gains/losses	(229,655)
Net cash provided (used) by investing activities	<u>\$ (106,178)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ (360,638)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>3,885,460</b>
<b>Cash and cash equivalents at end of year</b>	<b><u>\$ 3,524,822</u></b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ (3,066,281)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	185,264
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	184,779
(Increase) decrease in grants receivable	(98,463)
(Increase) decrease in prepaid expense	(3,677)
(Increase) decrease in inventory	1,240
Increase (decrease) in accounts payable	109,075
Increase (decrease) in deferred grant revenue	50,642
Increase (decrease) in room deposits	(8,273)
Increase (decrease) in compensated absences payable	(47,866)
Net cash provided (used) by operating activities	<u>\$ (2,693,560)</u>

See accompanying Notes to the Financial Statements

**Dawson College Foundation, Inc.**  
**A Component Unit of Dawson Community College, Dawson County, Montana**  
**Statement of Financial Position**  
**For the Year Ended October 31, 2007**

**ASSETS**

Cash and cash equivalents	\$	136,607
Investments in marketable equity securities		515,490
Building fund		9,967
Total Assets	\$	<u>662,064</u>

**LIABILITIES**

Commitments payable - general fund	\$	222
Due to Dawson College - building fund donations		16,571
Total Liabilities	\$	<u>16,793</u>

**NET ASSETS**

General and basic funds	\$	639,637
Building fund		5,634
Total Net Assets	\$	<u>645,271</u>

Total Liabilities and Net Assets	\$	<u><u>662,064</u></u>
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See accompanying Notes to the Financial Statements

**Dawson College Foundation, Inc.**  
**A Component Unit of Dawson Community College, Dawson County, Montana**  
**Statement of Activities**  
**For the Year Ended October 31, 2007**

**GENERAL AND BASIC NET ASSETS**

**REVENUES, GAINS AND OTHER SUPPORT**

Dues	\$ 8,749
Contributions	91,566
Dividend increase and net realized and unrealized gains (losses)	13,897
Interest income	16,529
Total revenues, gains and other support	\$ <u>130,741</u>

**EXPENSES**

Scholarships	\$ 18,680
Music and instruments and supplies	10,630
Teacher development	5,745
Fund raising expenses	17,342
Library	2,735
Total allocations and expenses	\$ <u>55,132</u>

Increase (decrease) in general and basic net assets	\$ 75,609
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**BUILDING FUND - NET ASSETS**

Restricted contributions	\$ 109,088
Due to Dawson College	(109,088)
Interest income	890
Increase in building fund net assets	\$ <u>890</u>

Increase (decrease) in net assets	\$ 76,499
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Net assets, beginning of period	<u>568,772</u>
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Net assets, end of period	<u><u>645,271</u></u>
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See accompanying Notes to the Financial Statements

**Dawson College Foundation, Inc.**  
**A Component Unit of Dawson Community College, Dawson County, Montana**  
**Statement of Cash Flows**  
**For the Year Ended October 31, 2007**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Increase (decrease) in net assets	\$ 76,499
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:	
(Increase) decrease in accounts receivable	20
Increase (decrease) in current liabilities	(2,778)
Increase (decrease) in due to Dawson College	(46,479)
Net Cash Provided by Operating Activities	\$ <u>27,262</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

(Increase) decrease in investments	\$ (6,595)
Building fund increase	<u>30,590</u>
Net Cash used by Investing Activities	<u>23,995</u>

Increase in cash and cash equivalents	\$ 51,527
Cash and cash equivalents - Beginning of period	<u>85,350</u>
Cash and cash equivalents - End of period	<u><u>136,607</u></u>

See accompanying Notes to the Financial Statements

DAWSON COMMUNITY COLLEGE  
DAWSON COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2008

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The College complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. For enterprise funds GASB statement Nos. 20 and 34 provide the College the option of electing to apply FASB pronouncements issued after November 30, 1989. The College has elected not to apply those pronouncements.

**Financial Reporting Entity**

In determining the financial reporting entity, the College complies with the provisions of GASB statement No. 14, *The Financial Reporting Entity*, and includes all component units of which the College appointed a voting majority of the units' board; the College is either able to impose its will on the unit or a financial benefit or burden relationship exists.

*Primary Government*

The College was established under Montana law to provide post-secondary educational services. Based on the criteria for determining the reporting entity (separate legal entity and financial or fiscal dependency on other governments) the College is a primary government as defined by GASB Cod. Sec. 2100 and has component units.

*Discretely Presented Component Units*

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. The component units listed below have a fiscal year ending October 31, 2007. The College has the following discretely presented component units:

Dawson Community College Foundation Inc.

Summary of Significant Accounting Policies

**Dawson Community College Foundation Inc.**

Organization

The Dawson College Foundation, Inc., has been organized to coordinate fund-raising activities for the local college. These include the long-term care of and building of additional facilities at the college location in Glendive Montana. The Foundation uses these funds to assist in purchasing needed educational equipment and supplies.



DAWSON COMMUNITY COLLEGE  
DAWSON COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2008

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting. Revenues and expenses are recognized and recorded when earned or incurred. The financial statements reflect unrestricted, temporarily restricted and permanently restricted net assets and activities. Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets, including board designated or appropriated amounts, are reported as part of the unrestricted class.

Contributions are recognized when the donor makes a promise to give the Foundation that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions.

Use of Estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Investments

Investments in equity securities with readily determinable fair values are measured at fair market value in the Statement of Financial Position. The unrealized gain or loss on investments is reflected in the Statement of Activities.

Cash and Cash Equivalents

For financial statement purposes, the Foundation Inc. considers all highly-liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Income Taxes

The Dawson College Foundation Inc. has been granted a letter of exemption by the Internal Revenue Service which qualifies it as a nonprofit organization.

**Basis of Presentation, Measurement Focus and Basis of Accounting.**

**Dawson Community College**

***Proprietary Funds:***

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned and expenses are recognized when incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds.

DAWSON COMMUNITY COLLEGE  
DAWSON COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2008

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connections with a proprietary fund's principal ongoing operations. The principal operating revenues for enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the College's policy to use restricted resources first, then unrestricted resources as they are needed.

**NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

**Cash Composition**

The investments described in the following summary do not meet the requirements as allowed investments. However, the County Attorney has determined that the College can maintain these investments until liquidated.

For purposes of the Statement of Cash Flows, cash equivalents include all cash and investments.

Cash and investments as of June 30, 2008, consist of the following:

	<u>College</u>
Cash on Hand	\$ 1,950
Deposits with Financial Institutions	70,299
Time Certificate of Deposit with Financial Institution	43,115
Investments	1,309,444
Invested in the Dawson County Investment Pool	<u>2,100,014</u>
Total Cash and Investments	\$ <u>3,524,822</u>

The College follows the practice of pooling cash and investments of all funds with the Dawson County Treasurer, except for student loan fund deposits, agency funds, loan reserves, and Harold Ullman Funds, which are held in demand deposit and investment accounts with local financial institutions.

The College may invest in savings deposits, time deposits or repurchase agreements in financial institutions that are both located in Montana and insured by FDIC, FSLIC, or NCUA. The College may also invest in general obligations of the United States Government, Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Mortgage Corporation, and Federal Farm Credit Bank, or a U.S. government program with the state, county treasurer, or any other political subdivision as long as investments are eligible investments.

DAWSON COMMUNITY COLLEGE  
DAWSON COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2008

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in the market rates.

Information about the sensitivity of the fair value of the College's investments to market interest rate fluctuations is provided by the following tables that show the maturity date of each investment.

	<u>June 30, 2008</u>
Dawson County Investment Pool	\$ <u>2,100,014</u>

No interest rate risk disclosure is made for the investments of the component unit.

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Dawson County Investment Pool does not have a rating provided by a nationally recognized statistical rating organization.

**Concentration of credit risk**

The investment policy of the College contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the Montana Code Annotated. There are no investments in any one issuer that represent 5% or more of the total College investments.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Montana law requires 50% security of deposits with financial institutions in excess of the depository insurance coverage limits. A governmental entity's money is insured for each "public unit" based on how the account is titled at the financial institution. The Dawson County government is considered to have \$100,000 FDIC coverage for demand deposits and \$100,000 FDIC coverage for time and savings deposits in each bank in the state.

The College's deposits with financial institutions did not exceed federal depository insurance limits at June 30, 2008.

DAWSON COMMUNITY COLLEGE  
DAWSON COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2008

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or governmental investment pools (such as the Dawson County Investment Pool).

**Investment in the Dawson County Investment Pool**

The College participates in the Dawson County Investment Pool. Information pertaining to the County's investment pool can be obtained from the County's annual report. The investment pool is not registered with the Securities and Exchange Commission. The pool is managed by the Dawson County Treasurer, who reports to the Dawson County Commissioners. The pool unit is fixed at \$1 per share for purchases and redemptions. Participants may buy and sell fractional shares.

The County investment pool has money invested in the State Short-Term Investment Pool (STIP) which includes asset-backed and variable-rate securities. Asset-backed securities have less credit risk than securities not backed by pledged assets. Market risk for asset-backed securities is the same as for similar non asset-backed securities. Variable-rate securities have credit risk identical to similar fixed-rate securities; the related market risk is more sensitive to changes in interest rates. However, their market risk may be less volatile than fixed-rate securities because their value will usually remain at or near par value as a result of their interest rates being periodically reset to maintain a current market yield. The Montana Board of Investments reported that they were not aware of any legal risks associated with any of the STIP investments, as of June 30, 2008.

**Foreign Currency Risk**

The College does not have a formal policy to limit foreign currency risk and does not have any foreign currency risk as the College does not own any foreign currency.

Component Unit Investments

Investments consist of certificates of deposit, securities, and mutual funds. Investments are stated at market value and unrealized gains and losses are reported as income. The investments are as follows:

<u>Description</u>	<u>2007</u>
Certificates of Deposit	\$ 255,368
Marketable Equity Securities	<u>260,122</u>
Total Investments	\$ <u>515,490</u>

DAWSON COMMUNITY COLLEGE  
DAWSON COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2008

**NOTE 3. RECEIVABLES**

Taxes

An allowance for uncollectible accounts was not maintained for real and personal property taxes receivable. The direct write-off method is used for these accounts.

Property tax levies are set in August, in connection with the budget process, and are based on taxable values listed as of January 1 for all property located in the District. Taxable values are established by the Montana Department of Revenue, and a revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by Montana statute as a fixed percentage of market value.

Real property taxes are generally billed in October and are payable 50% by November 30 and 50% by May 31. After these dates, taxes become delinquent and become a lien on the property. Personal property is assessed and personal property taxes are billed throughout the year, with a significant portion generally billed in May, June, and July. Personal property taxes are based on levies set during the prior August. These taxes become delinquent 30 days after billing.

Taxes that become delinquent are charged interest at the rate of 5/6 of 1% a month plus a penalty of 2%. Real property on which taxes remain delinquent and unpaid may be sold at tax sales. In the case of personal property, the property is to be seized and sold after the taxes become delinquent.

Tuition

An allowance for uncollectible tuition receivable was not maintained.

**NOTE 4. INVENTORIES**

Inventories are valued at cost using the First in First Out (FIFO) method

The costs of inventories are recorded as an expenditure when consumed.

**NOTE 5. CAPITAL ASSETS**

The College's assets are capitalized at historical cost or estimated historical cost. College policy has set the capitalization threshold for reporting capital assets at \$25,000 for buildings and improvements, and \$5,000 for equipment and library. Gifts or contributions of capital assets are recorded at fair market value when received. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

DAWSON COMMUNITY COLLEGE  
DAWSON COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2008

Buildings .....	50 years
Improvements .....	7-25 years
Equipment .....	5-20 years
Library .....	10 years

Capital asset balances and activity for the year ended June 30, 2008, were as follows:

	Balance July 1, 2007	Current Additions	Current Deletions	Balance June 30, 2008
Land	\$ 137,518	\$ -	\$ -	\$ 137,518
Buildings	12,710,047	10,000	-	\$ 12,720,048
Improvements	403,108	42,622	(122,339)	323,390
Equipment	860,738	129,828	-	990,566
Library Inventory	376,093	7,446	(1,262)	382,277
Total	<u>\$ 14,487,504</u>	<u>\$ 189,896</u>	<u>\$ (123,601)</u>	<u>\$ 14,553,799</u>
Less Accumulated Depreciation	<u>\$(3,656,241)</u>	<u>\$(185,264)</u>	<u>\$ 115,621</u>	<u>\$(3,725,884)</u>
Capital Assets, Net	<u>\$ 10,831,263</u>	<u>\$ 4,632</u>	<u>\$ (7,980)</u>	<u>\$ 10,827,915</u>

**NOTE 6. COMPENSATED ABSENCES**

Compensated absences payable, which represent vacation and sick leave earned by employees which is payable upon termination, at June 30, 2008, was as follows:

	Balance July 1, 2007	Increase	Balance June 30, 2008
Vacation and Sick Leave	<u>\$ 362,214</u>	<u>\$ 35,478</u>	<u>\$ 397,692</u>

**NOTE 7. LONG TERM DEBT OBLIGATIONS**

During the year ended June 30, 2008, the following changes occurred in liabilities reported in long-term debt:

	Balance July 1, 2007	Principal Payment	Balance June 30, 2008	Current Portion
Stockman Bank	\$ 610,156	\$ 18,234	\$ 591,922	\$ 18,832
USDA Rural Development	650,225	10,827	639,398	8,929
2004 Series General Obligation Bonds	3,565,000	145,000	3,420,000	-
Mid Rivers Communication	358,333	50,000	308,333	50,000
Montana Board of Investments #1	171,904	16,846	155,058	17,655
Montana Board of Investments #2	480,277	41,067	439,210	43,039
Total	<u>\$ 5,835,895</u>	<u>\$281,974</u>	<u>\$ 5,553,921</u>	<u>\$ 138,455</u>

DAWSON COMMUNITY COLLEGE  
DAWSON COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2008

The note payable to Stockman Bank of \$700,000 originated on February 21, 2000. Payments of \$65,298 including both principal and interest, are due on February 10 each year. The note will mature in 2025. Interest is payable at 7.97% per annum, with the interest rate to be recalculated every five years. The interest rate will not fall below 7% nor rise higher than 11.5%. This note is secured by the dormitory and its contents. This note is secured by deeds of trust on real estate and improvements of the student dormitories and adjacent parking area. The note is also secured by any fixtures and equipment located in the dormitories, along with an assignment of rental revenue from all of the student dormitories owned by the College.

Annual requirement to amortize debt for Stockman Bank:

For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2009	\$18,832	\$41,458
2010	20,501	40,116
2011	21,936	38,681
2012	23,471	37,146
2013	25,114	35,503
2014	26,872	33,745
2015	28,753	31,864
2016	30,766	29,851
2017	32,920	27,697
2018	35,224	25,393
2019	37,690	22,927
2020	40,328	20,289
2021	43,151	17,466
2022	46,171	14,446
2023	49,403	11,214
2024	52,862	7,755
2025	<u>57,928</u>	<u>4,055</u>
Total	\$ <u>591,922</u>	\$ <u>439,606</u>

The note payable to the United States Department of Agriculture – Rural Development originated on February 21, 2000, in the amount of \$700,000. Principal and interest payments of \$39,410 are due on February 21 each year for 40 years. Interest is payable at 4.75% per annum. This note is secured by an assignment of rental revenues from all existing and hereinafter acquired student dormitory facilities owned by the College.

DAWSON COMMUNITY COLLEGE  
DAWSON COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2008

Annual requirement to amortize debt for USDS Rural Development:

For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 8,929	\$ 30,481
2010	9,353	30,057
2011	9,798	29,612
2012	10,263	29,147
2013	10,751	28,659
2014	11,261	28,149
2015	11,796	27,614
2016	12,356	27,054
2017	12,943	26,467
2018	13,558	25,852
2019	14,202	25,208
2020	14,877	24,533
2021	15,583	23,827
2022	16,324	23,086
2023	17,099	22,311
2024	17,911	21,499
2025	18,762	20,648
2026	19,653	19,757
2027	20,587	18,823
2028	21,565	17,845
2029	22,589	16,821
2030	23,662	15,748
2031	24,786	14,624
2032	25,963	13,447
2033	27,196	12,214
2034	28,488	10,922
2035	29,841	9,569
2036	31,259	8,151
2037	32,744	6,666
2038	34,299	5,111
2039	35,928	3,482
2040	<u>35,072</u>	<u>1,775</u>
Total	\$ <u>639,398</u>	\$ <u>619,159</u>

On September 1, 2004, Dawson Community college issued general obligation bonds at a purchase price of \$4,000,000 and an interest rate of 2.9%-4.35% to pay a portion of the costs of designing, constructing, furnishing and equipping a library and learning center expansion project and for the construction of a new performing arts center/gymnasium. The bonds bear interest payable semiannually on January 1 and July 1 each year, commencing January 1, 2005. The bonds mature beginning July 1, 2005 through 2022.



DAWSON COMMUNITY COLLEGE  
DAWSON COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2008

Annual requirement to amortize debt for GO Bonds:

For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 0	\$ 0
2010	155,000	149,732
2011	160,000	143,432
2012	165,000	136,932
2013	170,000	129,807
2014	180,000	121,932
2015	190,000	113,607
2016	195,000	105,335
2017	205,000	96,982
2018	215,000	87,949
2019	220,000	78,432
2020	230,000	68,417
2021	245,000	57,669
2022	255,000	46,167
2023	265,000	33,944
2024	280,000	20,930
2025	<u>290,000</u>	<u>7,105</u>
Total	<u>\$3,420,000</u>	<u>\$1,398,372</u>

The note payable to Mid Rivers Communications of \$400,000 originated on October 25, 2004. Principal payments of \$4,167 are due monthly. The note will mature in 2014. This is an interest-free loan and is secured by the aforementioned construction project.

Annual requirement to amortize debt for Mid Rivers Communication:

For Fiscal <u>Year Ended</u>	<u>Principal</u>
2009	\$ 50,000
2010	50,000
2011	50,000
2012	50,000
2013	50,000
2014	50,000
2015	<u>8,333</u>
Total	<u>\$ 308,333</u>

The Montana Board of Investments Intercap Loan #1 of \$180,000 originated on May 6, 2005. Payments of principal and interest are due semiannually on February 15 and August 15. Payments consist of a variable principal portion and interest computed at 4.75%. Intercap loans have variable interest rates, which are subject to change annually.

DAWSON COMMUNITY COLLEGE  
DAWSON COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2008

Annual requirement to amortize debt for InterCap Loan #1:

For Fiscal Year Ended	<u>Principal</u>	<u>Interest</u>
2009	\$ 17,656	\$ 7,157
2010	18,505	6,309
2011	19,394	5,419
2012	20,326	4,487
2013	21,302	3,511
2014	22,327	2,487
2015	23,400	1,414
2016	<u>12,148</u>	<u>289</u>
Total	<u>\$ 155,058</u>	<u>\$ 31,073</u>

The Montana Board of Investments InterCap Loan #2 of \$500,000 originated on May 6, 2005. Payments of principal and interest are due semiannually on February 15 and August 15. Payments consist of a variable principal portion and interest computed at 4.75%. InterCap loans have variable interest rates which are subject to change annually.

Annual requirement to amortize debt for InterCap Loan #2:

For Fiscal Year Ended	<u>Principal</u>	<u>Interest</u>
2009	\$ 43,039	\$ 20,356
2010	45,110	18,287
2011	47,278	16,119
2012	49,550	13,847
2013	51,930	11,466
2014	54,428	8,970
2015	57,403	6,354
2016	59,785	3,613
2017	<u>30,687</u>	<u>737</u>
Total	<u>\$ 439,210</u>	<u>\$ 99,749</u>

**NOTE 8. RETIREMENT PLANS**

The College participates in two state-wide, multiple-employer, cost-sharing retirement plans which cover all employees, except some substitute and part-time, non-teaching employees. The Teachers' Retirement System (TRS) covers certified teaching employees, and the Public Employee Retirement System (PERS) covers non-teaching employees. The plans are established by State law and are administered by the Department of Administration of the State of Montana. The plans provide retirement, death, and disability benefits to plan members and beneficiaries.

DAWSON COMMUNITY COLLEGE  
DAWSON COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2008

Both plans issue publicly available annual reports that include financial statements and required supplemental information for the plans. Publicly available financial reports that include financial statements and required supplementary information may be obtained for the plans by writing or calling:

1. Public Employees Retirement Division, P.O. Box 200131, Helena, Montana 59620-0131 Phone: 1-406-444-3154
2. Teachers' Retirement System, P.O. Box 200319, Helena, Montana 59620-0139 Phone: 1-406-444-3134

The financial statements for the Public Employees Retirement System include activity for a defined benefit and a defined contribution retirement plan. The defined contribution plan is available to all active members starting July 1, 2002. The contribution rates, expressed as a percentage of covered payroll, which are determined by State law, were as follows:

	<u>PERS</u>	<u>TRS</u>
Employer	6.80%	7.47%
Employee	6.90%	7.15%
State	0.235%	0.20%

Total contributions for the years ended June 30, 2005, 2006, and 2007, as listed below, were equal to the required contributions for each year.

	<u>PERS</u>	<u>TRS</u>
2006	\$ 80,856	\$ 300,100
2007	\$ 81,631	\$ 240,848
2008	\$ 91,179	\$ 249,583

**NOTE 9. POST EMPLOYMENT BENEFITS**

Terminated employees may remain on the College's health insurance plan for up to 18 months if they pay the monthly premiums. This benefit is required under the federal COBRA law. Retirees may remain on the College's health plan to age 65, provided they pay the monthly premiums. State law requires the College to provide this benefit. No cost can be estimated for the above benefits, although there is the probability that there are higher medical costs for retirees which would result in additional costs to the insurance program.

The College had 12 retired employees and no terminated employees participating in the plan as of June 30, 2008.

DAWSON COMMUNITY COLLEGE  
DAWSON COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2008

**NOTE 10. RESTRICTED CASH/INVESTMENTS**

The following restricted cash/investments were held by the College as of June 30, 2008:

<u>Description</u>	<u>Amount</u>
Student Activity Funds	\$ 31,382
Dormitory	237,930
Program Development	1,421,168
Grants	73,158
Scholarship Funds	49,845
Retirement	94,365
Debt Service	94,664
Total	<u>\$2,002,512</u>

**NOTE 11. RESTATEMENTS**

The restatements to fund balance in the amount of \$187,574, were necessary to properly reflect activity from the prior period. The restatements included the following:

<u>Amount</u>	<u>Reason for Adjustment</u>
\$ 83,146	General Fund – A/P Reversion
(27,664)	Retirement Fund – Compensated Absences
(150,375)	Tuition Clearing Fund – Accounts Receivable Adjustment
(14,959)	Building Repair/Maintenance Fund – Adjust for Due from Other Funds
<u>(77,722)</u>	Student Building Fee Fund – Adjust for Due From Other Funds
<u>\$ (187,574)</u>	Total Restatements

**NOTE 12. RISK MANAGEMENT**

The College faces considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability, i.e., errors and omissions, (d) environmental damage, (e) workers' compensation, i.e., employee injuries, and (f) medical insurance costs of employees. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Insurance Policies:

Commercial policies transferring all risks of loss, except for relatively small deductible amounts are purchased for property and content damage, employees torts, and professional liabilities. Employee medical insurance is provided for by a commercial carrier. And, given the lack of coverage available, the College has no coverage for potential losses from environmental damages.

DAWSON COMMUNITY COLLEGE  
DAWSON COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2008

**NOTE 13. PENDING LITIGATION**

There as no pending or threatened litigation or unasserted claims or assessments against the College as of June 30, 2007.

**NOTE 14. SUBSEQUENT EVENT**

The fair market value of the Colleges' investments has decreased from \$1,309,444, since June 30, 2008. Their fair market value as of October 30, 2008, was \$1,080,375, a decrease of approximately 17%.

# **REQUIRED SUPPLEMENTAL INFORMATION**

**Dawson Community College, Dawson County, Montana**  
**Student Financial Aid Modified Statement of Cash Receipts and Disbursements**  
**For the Year Ended June 30, 2008**

	<u>Pell</u>	<u>Perkins</u>	<u>CWS</u>	<u>SEOG</u>
Beginning cash balance	\$ 3,970	\$ 17,751	\$ 595	\$ -
Additions:				
Federal advances	401,952	-	18,332	34,935
State matching funds	-	-	-	11,645
Interest collected	-	1,136	-	-
Interest investments	-	14	-	-
Principal collected	-	14,159	-	-
Student refunds	8,579	-	-	200
Total additions	\$ <u>410,531</u>	\$ <u>15,309</u>	\$ <u>18,332</u>	\$ <u>46,780</u>
Deductions:				
Distribution to students	\$ 412,541	\$ 4,316	\$ 18,174	\$ 46,780
Administrative expenses	-	6,798	595	-
Total deductions	\$ <u>412,541</u>	\$ <u>11,114</u>	\$ <u>18,769</u>	\$ <u>46,780</u>
Net change to cash	\$ <u>(2,010)</u>	\$ <u>4,194</u>	\$ <u>(437)</u>	\$ <u>-</u>
Ending cash balance	\$ <u><u>1,960</u></u>	\$ <u><u>21,946</u></u>	\$ <u><u>158</u></u>	\$ <u><u>-</u></u>

See accompanying Notes to the Financial Statements

**Dawson Community College, Dawson County, Montana**  
**Schedule of Expenditures**  
**Student Financial Assistance Programs**  
**For the Year Ended June 30, 2008**

	<u>2008</u>
Perkins loan program	
Student loan advances	\$ <u>4,316</u>
College work study	
Wages	\$ 18,174
Administrative cost	595
Total college work study	\$ <u>18,769</u>
Supplemental education opportunity grant program	
Student grants	\$ <u>46,780</u>
Pell grant program	
Student grants	\$ <u>412,541</u>

See accompanying Notes to the Financial Statements



**Dawson Community College, Custer County, Montana**  
**Schedule for Full Time Equivalent**  
**For the Year Ended June 30, 2007**

<u>Semester</u>	<u>Resident</u>	<u>WUE</u>	<u>Nonresident</u>	<u>Total</u>
Summer 2007	23.60	0.30	1.30	25.20
Fall 2007	305.10	23.00	30.30	358.40
Spring 2008	335.70	24.30	32.80	392.80

The FTE caluculations were based on enrollment at the end of the third week of the semester.

See accompanying Notes to the Financial Statements

**Dawson Community College, Dawson County, Montana**  
**Functional Classification of Operating Expenses**  
**For the Year Ended June 30, 2008**

	Instruction	Academic Support	Student Services	Institutional Support	Scholarships and Fellowships	Operations and Maintenance of Plant	Auxiliary	Depreciation	Total
Salaries	\$ 1,258,188	\$ 279,927	\$ 789,744	\$ -	\$ -	\$ 136,050	\$ 66,810	\$ -	\$ 2,530,719
Benefits	193,452	68,610	162,556	384,430	-	29,743	33,668	-	872,459
Travel	581	13,212	108,602	-	-	1,109	-	-	123,504
Supplies	50,630	136,594	70,829	-	-	9,624	8,941	-	276,618
Contracted services	22,552	23,424	65,062	-	-	-	-	-	111,038
Postage	2,053	2,078	11,014	-	-	-	-	-	15,145
Rent and lease	11,910	8,850	-	-	-	-	-	-	20,760
Repairs and maintenance	-	36,751	7,395	-	-	29,318	20,470	-	93,934
Advertising	-	4,182	494	-	-	-	-	-	4,676
Utilities	-	630	-	-	-	124,126	45,715	-	170,471
Student support	26,992	62,865	79,881	-	-	-	-	-	169,738
Communications	2,898	-	3,691	-	-	10,064	12,074	-	28,727
Scholarships and grants	-	-	24,775	-	652,820	-	-	-	677,595
Equipment	-	2,780	12,085	-	-	2,361	561	-	17,787
Insurance	-	2,821	37,341	-	-	382	-	-	40,544
Indirect costs	-	(65)	8,169	-	-	-	-	-	8,104
REC complex	-	-	657	-	-	-	-	-	657
Items for resale	-	-	-	-	-	-	88,101	-	88,101
Other operating expense	51,692	128,220	108,101	-	-	37,014	37,471	-	362,498
Reversion	-	-	88,027	-	-	-	-	-	88,027
Depreciation expense	-	-	-	-	-	-	-	185,264	185,264
Total operating expenses	\$ <u>1,620,948</u>	\$ <u>770,879</u>	\$ <u>1,578,423</u>	\$ <u>384,430</u>	\$ <u>652,820</u>	\$ <u>379,791</u>	\$ <u>313,811</u>	\$ <u>185,264</u>	\$ <u>5,886,366</u>

See accompanying Notes to the Financial Statements

## **SUPPLEMENTAL INFORMATION**

Dawson Community College, Dawson County, Montana  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For Fiscal Year Ended June 30, 2007

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Program or Award Amount</b>	<b>Beginning Balance July 1, 2006</b>	<b>Federal Revenue</b>	<b>Match / Other Revenue</b>	<b>Federal Expenditures</b>	<b>Ending Balance June 30, 2007</b>
<b><u>U.S. Department of Labor</u></b>								
<i>Passed through the Office of the Commissioner of Higher Education:</i>								
WIRED - Clean Energy for Tomorrow	17.261	DCC WIRED	\$ 14,404	\$ -	\$ 14,404	\$ -	\$ 14,404	\$ -
<i>Passed through the Office of Public Instruction:</i>								
Workforce Investment Act (WIA) Health Occupation Grant	17.267	58-6502-055-05	\$ 781	-	781	-	781	-
<b>Total U.S. Department of Interior</b>				\$ -	\$ 15,185	\$ -	\$ 15,185	\$ -
<b><u>U.S. Department of Education</u></b>								
<i>Direct:</i>								
Supplemental Educational Opportunity Grant Program	84.007	N/A	\$ 34,935	\$ -	\$ 34,935	\$ 11,745	\$ 46,680	\$ -
Federal Family Education Loans *	84.032	N/A	\$ 382,735	-	382,735	-	382,735	-
College Work Study	84.033	N/A	\$ 18,332	2,206	18,332	-	19,943	595
Student Support Services - 08-2006 fye-6-30-07 Rev & Exp	84.042	P042A010495	\$ 259,826	-	18,473	-	18,473	-
Student Support Services - 08-2007 fye	84.042	P042A050570	259,826	-	259,826	58,779	221,025	97,580
Pell Grant	84.063	N/A	459,756	4,339	451,144	8,612	459,756	4,339
Academic Competitiveness Grant	84.375	N/A	\$ 17,200	-	17,200	-	17,200	-
<i>Passed through the Office of Public Instruction:</i>								
Adult Basic Education	84.002	58-6502-5605BG	\$ 47,635	-	47,635	440	47,635	440
Campus Child Care - 09-2006 fye-6-30-07 Rev & Exp	84.0201A	P335A020089-05	\$ 10,000	-	1,517	-	1,517	-
<i>Passed through the Office of the Commissioner of Higher Education:</i>								
Tech Prep	84.048A	ETP05	\$ 91,986	\$ -	\$ 91,986	-	\$ 91,986	\$ -
Local Application	84.243A	DCC LP05	\$ 84,506	40,640	94,506	-	94,506	40,640
Gear Up	84.334S	N/A	\$ 29,901	1,854	29,900	-	27,225	4,529
<b>Total U.S. Department of Education</b>				\$ 49,039	\$ 1,448,189	\$ 79,576	\$ 1,428,681	\$ 148,123
<b><u>U.S. Department of Health and Human Services</u></b>								
<i>Passed through the Office of the Department of Social and Rehabilitation Services:</i>								
ECHO - Higher Ed. -9-2006 fye-6-30-07 Rev and Exp	93.575	0602HIED0004	\$ 46,898	\$ -	\$ 9,232	\$ -	\$ 9,232	\$ -
ECHO - Higher Ed. -9-2006 fye	93.575	0702HEID00004	\$ 46,936	-	46,936	-	41,141	5,795
ECHO - DPHHS -9-2006 fye-6-30-07 Rev and Exp	93.575	0602SPTG0034	\$ 15,000	-	5,364	-	5,364	-
ECHO - DPHHS -9-2007	93.575	0502SPTG0032	\$ 15,000	-	15,000	-	8,854	6,146
ECHO - Mentoring -9-2006 fye-6-30-07 Rev and Exp	93.575	0402MENT0012	\$ 25,000	-	9,657	-	9,855	(198)
ECHO - Mentoring -9-2007	93.575	0702MENT0012	\$ 25,000	-	25,000	-	17,012	7,988
<b>Total U.S. Department of Interior</b>				\$ -	\$ 111,189	\$ -	\$ 91,458	\$ 19,731
<b><u>Corporation for National and Community Service</u></b>								
<i>Passed through Maricopa County Community College District:</i>								
Learn and Serve America Higher Education	94.005	06LHHAZ001	\$ 1,808	\$ -	\$ 1,808	\$ -	\$ 1,808	\$ -
<b>Total Corporation for National and Community Service</b>				-	1,808	-	1,808	-
<b>Total Federal Financial Assistance</b>				\$ 49,039	\$ 1,576,371	\$ 79,576	\$ 1,537,132	\$ 167,854

\* This program's activities is not reflected in financial statements of this entity.

N/A = Not Applicable or Not Available

Dawson Community College, Dawson County, Montana  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For Fiscal Year Ended June 30, 2008

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Program or Award Amount</b>	<b>Beginning Balance July 1, 2007</b>	<b>Federal Revenue</b>	<b>Match / Other Revenue</b>	<b>Federal Expenditures</b>	<b>Ending Balance June 30, 2008</b>
<b><u>U.S. Department of Labor</u></b>								
<i>Passed through the Office of the Commissioner of Higher Education:</i>								
WIRED - Clean Energy for Tomorrow	17.261	DCC WIRED	\$ 179,324	\$ -	\$ 179,323	\$ -	\$ 185,102	\$ (5,779)
<i>Passed through Billings College of Technology:</i>								
Energy for Tomorrow	17.269	CB-15956-07-60-A30	\$ 22,660	-	22,660	-	22,660	-
<b>Total U.S. Department of Interior</b>				\$ -	\$ 201,983	-	\$ 207,762	\$ (5,779)
<b><u>U.S. Department of Education</u></b>								
<i>Direct:</i>								
Supplemental Educational Opportunity Grant Program	84.007	N/A	\$ 34,395	\$ -	\$ 34,935	\$ 11,845	\$ 46,780	\$ -
Federal Family Education Loans *	84.032	N/A	\$ 381,056	-	381,056	-	381,056	-
College Work Study	84.033	N/A	\$ 18,332	595	18,332	-	18,769	158
Student Support Services - 08-2007 fye	84.042	P042A050570	\$ 259,826	97,580	(8,169)	-	38,801	50,610
Student Support Services - 08-2008 fye	84.042	P042A050570	\$ 259,826	-	226,273	-	226,273	-
Pell Grant Program	84.063	N/A	403,962	4,339	403,962	8,579	412,541	4,339
Academic Compositeness Grant	84.375	N/A	19,325	-	19,325	375	19,325	375
<i>Passed through the Office of Public Instruction:</i>								
Adult Basic Education	84.002	58-6502-5607BG	47,635	440	47,635	(440)	47,635	-
<i>Passed through the Office of the Commissioner of Higher Education:</i>								
Local Application	84.243A	DDC LP05	\$ 58,276	\$ 40,640	\$ 58,276	(10,431)	\$ 58,276	\$ 30,209
Gear Up	84.334S	N/A	\$ 26,000	4,529	26,000	-	28,742	1,787
<b>Total U.S. Department of Education</b>				\$ 148,123	\$ 1,207,625	\$ 9,928	\$ 1,278,198	\$ 87,478
<b><u>U.S. Department of Health and Human Services</u></b>								
<i>Passed through the Department of Social and Rehabilitation Services:</i>								
ECHO - Higher Ed. -9-2007 fye	93.575	0702HIED0004	\$ 46,936	\$ 5,795	\$ -	\$ -	\$ 5,795	\$ -
ECHO - Higher Ed. -9-2008 fye	93.575	0802HIED0007	\$ 50,404	-	43,163	-	43,163	-
ECHO - DPHHS -9-2007 fye	93.575	0502SPTG0032	\$ 15,000	6,146	-	-	6,146	-
ECHO - Mentoring -9-2007 fye	93.575	0702MENT00012	\$ 25,000	7,988	-	-	7,988	-
ECHO - Mentoring -9-2008 fye	93.575	0802MENT00022	\$ 24,980	(198)	15,281	-	15,132	(49)
<b>Total U.S. Department of Health and Human Services</b>				19,731	58,444	\$ -	\$ 78,224	\$ (49)
<b>Total Federal Financial Assistance</b>				\$ 167,854	\$ 1,468,052	9,928	\$ 1,564,184	\$ 81,650

\* This program's activities is not reflected in financial statements of this entity.

N/A = Not Applicable or Not Available

DAWSON COMMUNITY COLLEGE

DAWSON COUNTY, MONTANA

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Fiscal Year Ended June 30, 2008

*Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Dawson Community College, Dawson County, Montana, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

**Denning, Downey & Associates, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

*1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957*

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS***

Board of Trustees  
Dawson Community College  
Dawson County  
Glendive, Montana

We have audited the financial statements of the business-type activities and discretely presented component units of Dawson Community College, Dawson County, Montana, as of and for the year ended June 30, 2008, which collectively comprise the Dawson Community College's basic financial statements and have issued our report thereon dated October 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Dawson Community College internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Dawson Community College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Dawson Community College's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Dawson Community College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in the internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 08-3 and 08-4 to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Dawson Community College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Dawson Community College's response to the audit findings are found in a separate letter. We did not audit Dawson Community College's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, the Board of Trustees, the Montana Department of Administration, the Montana Office of Public Instruction, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Denning, Downey and Associates, CPA's, P.C.*

October 30, 2008



**Denning, Downey & Associates, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees  
Dawson Community College  
Dawson County  
Glendive, Montana

Compliance

We have audited the compliance of Dawson Community College, Dawson County, Montana, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the years ended June 30, 2007 and 2008. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion of the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

In our opinion, Dawson Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007 and 2008.

### Internal Control Over Compliance

The management of the College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of the audit committee, management, the Board of Trustees, the Montana Department of Administration, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Denning, Downey and Associates, CPAs, P.C.*

October 30, 2008

DAWSON COMMUNITY COLLEGE

DAWSON COUNTY, MONTANA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Fiscal Year Ended June 30, 2007 and 2008

**Section I – Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued	<i>Unqualified</i>
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(s) identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses	No
Type of auditor's report issued on compliance for major programs:	<i>Unqualified</i>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.032, 84.033, 84.063, 84.376 84.042	Student Financial Aid Cluster TRIO Student Support Services

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	No

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### Section II – Financial Statement Findings

#### 08-1 Negative Restricted Net Assets

**Condition:**

The financial statements indicate a negative restricted net assets of \$(324,485) for debt service.

**Criteria:**

GASB Q&A Appendix 7-3 states in part;

No category of restricted net assets can be negative “that is”, if liabilities that relate to restricted assets exceed those assets, no balance should be reported; the negative amount should be reported as a reduction of unrestricted net assets.

**Effect:**

Restricted net assets are understated and unrestricted net assets are overstated by \$324,485. The audit report was corrected.

**Recommendation:**

We recommend that restricted net assets be limited to positive balances as described in GASB Q&A Appendix 7-3.

#### 08-2 Tuition Receivable

**Condition:**

The College reported tuition receivable of \$141,556. The College does not maintain subsidiary ledgers to support this amount. This is a repeat finding from 2007.

**Criteria:**

Generally Accepted Accounting Principles (GAAP) require that all amounts reported be adequately supported.

**Effect:**

We were unable to determine the effect on the financial statements.

**Cause:**

The College has not made this project a priority.

**Recommendation:**

We recommend that the College prepare an aged receivable report for Tuition Receivable and update the accounting records as necessary.

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

### **08-3 Restricted Cash**

**Condition:**

The College reported restricted cash of \$1,433,245. The total amount that should have been reported was \$1,847,383.

**Criteria:**

GASB #34, paragraph 34, states: "Net assets should be reported as restricted when constraints placed on net assets use are either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments.
- b. Imposed by law through constitutional provisions or enabling legislation".

**Effect:**

Restricted cash is understated by \$569,267 and unrestricted cash is overstated by \$569,267. The financial statements in the audit report have been corrected.

**Recommendation:**

We recommend that cash restrictions be updated annually.

### **08-4 Internal Control Weaknesses**

**Condition:**

We noted the following internal control weaknesses during the course of the audit:

1. Cash refunds were given to students during the registration process.
2. Timely deposits were not made. Deposits are made monthly.
3. The same individual, who prepares the deposit also reconciles the bank statement.

**Criteria:**

Internal controls should include procedures to ensure the safekeeping of assets, ensuring all receipts are secured, all receipts are deposited, and all disbursements are approved with proper signatures.

**Effect:**

Internal controls over cash receipts is weak.

**Recommendation:**

We recommend the following procedures be implemented:

1. Refunds to students should be made by check, rather than cash.
2. Deposits should be made at least weekly.
3. The College should review their collection process and make corrections as necessary to ensure that all receipts are properly posted and deposited.

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

### **Section III – Federal Award Findings and Questioned Costs**

There were no federal award findings or questioned costs reported.

***Denning, Downey & Associates, P.C.***  
***CERTIFIED PUBLIC ACCOUNTANTS***

*1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957*

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**REPORT ON OTHER COMPLIANCE, FINANCIAL, AND INTERNAL ACCOUNTING  
CONTROL MATTERS**

Board of Trustees  
Dawson Community College  
Dawson County  
Glendive, Montana

There were no other compliance, financial, or internal accounting matters.

*Denning, Downey and Associates, CPA's, P.C.*

October 30, 2008

***Denning, Downey & Associates, P.C.***  
***CERTIFIED PUBLIC ACCOUNTANTS***

*1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957*

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**REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS**

Board of Trustees  
Dawson Community College  
Dawson County  
Glendive, Montana

The prior audit report contained five recommendations. The action taken on each recommendation is as follows:

<u>Recommendation</u>	<u>Action Taken</u>
Tuition Receivable	Partially Implemented
Accounting and Reporting Issues	Implemented
Financial Statement Reporting	Partially Implemented
Overstatement of Revenues and Expenses	Implemented
Internal Control Weaknesses	Repeated

*Denning, Downey and Associates, CPAs, P.C.*

October 30, 2008



**Dawson Community College**  
**300 College Drive**  
**Glendive, Montana 59330-9976**

December 4, 2008

Denning, Downey & Associates, P.C.  
1740 US Highway 93 South Suite 101  
Kalispell, MT 59901

Dear Mr. Denning:

The following is our response to the recommendation made in the 2008 audit report for Dawson Community College.

**Finding #08-1 – Negative Restricted Net Assets**

**Condition:**

The financial statements indicate a negative restricted net assets of \$(324,485) for debt service.

**Auditee Response:**

The College addressed the cited condition. The accounting firm contracted to prepare the financial statements has issued the compiled financial statements in compliance with the cited condition.

**Finding #08-02 – Tuition Receivable**

**Condition:**

The College reported tuition receivable of \$141,556. The College does not maintain subsidiary ledgers to support this amount.

**Auditee Response:**

As of this date of this document the College Business Office has created a subsidiary tuition receivables ledger. The College places hold notices on transcripts for each individual that has a balance due to the College. Transcripts are not released unless outstanding balances are paid in full. The individual hold notices form the basis of the subsidiary tuition receivables ledger.

**Finding #08-3 – Restricted Cash**

**Condition:**

The College reported restricted cash of \$1,433,245. The total amount that should have been reported was \$1,847,383.

**Auditee Response:**

The College addressed the noted condition. The accounting firm contracted to prepare the financial statements has issued the compiled financial statements in compliance with the cited condition.

**Finding #08-4 – Internal Control Weaknesses****Condition:**

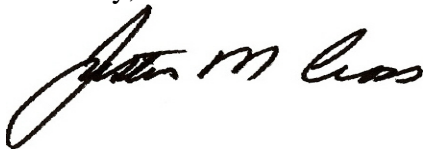
We noted the following internal control weaknesses during the course of the audit:

1. Cash refunds were given to students during the registration process.
2. Timely deposits were not made. Deposits are made monthly.
3. The same individual who prepares the deposit also reconciles the bank statement.

**Auditee Response:**

1. The College has initiated steps to address the auditor's concern with issuing cash refunds to students during the registration process. Currently, if a student's semester fee sheet indicates a refund is necessary the College issues a cash refund to the student. This arms length transaction settles the student's account. The College is in the process of making changes to institutional processes that will reduce or eliminate cash refunds to students.
2. The College is making changes in how often deposits are made. These steps will enhance internal control over the timeliness of deposits. The College has a payroll clerk and an accounts payable clerk in the Business Office. These clerks are responsible for a wide range of activities including making deposits. The College recognizes this staffing shortage and has requested additional funding for a third office clerk. Without an additional clerk the College will continue to struggle with this condition.
3. The College has made changes in procedures that govern who prepares deposits and reconciles them to the County Treasure's report. The payroll clerk will continue to prepare and reconcile deposits with the County Treasure's report. In addition to the review process by the local County Treasure, the Dean of Administrative Services will review and sign-off on the reconciliation and deposit documents.

Sincerely,



Justin M. Cross  
Dean of Administrative Services  
Dawson Community College